

QUESTIONS AND ANSWERS

BANK INDONESIA REGULATION NUMBER 9/1/PBI/2007 CONCERNING THE RATING SYSTEM FOR COMMERCIAL BANKS BASED ON SHARIA PRINCIPLES

No	Question	Answer
1.	What is the difference in the former method of Bank Soundness Assessment (TKS) and the new TKS in Bank Indonesia Regulation No. 9/1/PBI/2007?	The former TKS assessment put more emphasis on measuring past performance of a bank while the new TKS assessment puts more emphasis on current risks faced by a bank or predictions of future risks.
2.	The TKS assessment under the new system includes an assessment of the factors of Capital, Asset Quality, Management, Earning, Liquidity and Sensitivity to Market Risk (CAMELS), so what is the procedure of assessment considering that the Bank Indonesia Regulation only provides factors that are to be assessed without providing a detailed explanation of how to conduct the assessment?	The Bank Indonesia Regulation arranges for the TKS assessment materials for Sharia commercial banks, including Sharia Division (UUS) in general, while a detailed explanation regarding the method of assessment of TKS will be provided in an External Bank Indonesia Circular.
3.	With the enactment of Bank Indonesia Regulation No. 9/1/PBI/20078 regarding the system of TKS assessment of commercial bank operations based on Sharia principles, is an UUS also required to conduct a TKS assessment and how should the calculation be done?	In accordance with Bank Indonesia Regulation No. 9/1/PBI/2007, an UUS must conduct a TKS assessment as is required for a Sharia Bank (BUS). The method of calculation of TKS for an UUS is generally the same as the calculation of TKS for a BUS. The difference in the TKS assessment of an UUS, is that judgment must be used regarding the consideration of the performance / TKS of the parent bank.
4.	Starting when will Sharia Banks (BUS) and Sharia Division (UUS) be required to perform a TKS assessment based on the New System?	BUS and UUS will be required to perform a TKS assessment using the new system for the December 2007 data assessment.
5.	The Bank Indonesia Regulation requires BUS and UUS to perform a TKS assessment on a quarterly basis, but arrangements for the submission of the TKS reports to Bank Indonesia were not made.	According to Bank Indonesia Regulation No. 9/1/PBI/2007, BUS and UUS are required to conduct a TKS assessment on a quarterly basis, while submission of the TKS reports will be done if requested by Bank

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		<p>Indonesia. The main objective of the TKS assessment by the banks is not just for submission to Bank Indonesia, but instead is more aimed at the internal need of the banks, as a means of determining future business strategy. By knowing the TKS condition of the bank, including existing risks, it is hoped that bank management can immediately take the necessary measures to safeguard the soundness of bank operations.</p>
6.	<p>After requiring UUS to conduct a separate TKS assessment, as arranged in Bank Indonesia Regulation No. 9/1/PBI/2007, will the TKS assessment of the parent bank not be affected directly by the results of the TKS assessment of the UUS?</p>	<p>According to Bank Indonesia Regulation No. 9/1/PBI/2007, UUS are required to conduct a TKS assessment separate from the parent bank, and the results of the TKS assessment by the UUS will not directly affect the TKS assessment of the parent bank, particularly with respect to the quantitative assessment, considering that the TKS assessment of the parent bank already includes Sharia business operations. However, with respect to the qualitative assessment, TKS of UUS can be used as material for judgment and will affect the TKS assessment of the parent bank .</p> <p>The TKS assessment of the parent bank must still comply with the method of TKS assessment in force for conventional commercial banks.</p>